# State Employee Benefits Committee Friday May 18, 2012 at 2:00 p.m. Tatnall Building, Room 112 Dover, Delaware

The State Employee Benefits Committee met on May 18, 2012, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB

Brenda Lakeman, Director, OMB, SBO

Faith Rentz, Deputy Director, OMB, SBO

Dawn Guyer, OMB, Financial Operations

Rebecca Reichardt, OMB, BDPA

Leslie Ramsey, OMB, SBO

Dawn Davis, OMB, SBO

Stuart Wohl, Segal

Andrew Kerber, DOJ

Carolyn Berger, Justice, AOC

Jennifer Vaughn, Department of Insurance

Roberta Jones, Department of Insurance

Chip Flowers, State Treasurer

Kelly Callahan, State Treasurer's Office

Dave Craik, Pension Office Terry Mullaney, PHRST

Michael Morton, Office of Controller General

Lori Christianson, Office of Controller General

Henry Smith, DHSS

David Gregor, Department of Finance

Judy Anderson, DSEA

Joe Kirk, DSEA

Drew Brancati, Blue Cross Blue Shield DE

Mike North, Aetna

Katherine Impellizzeri, Aetna

Judith Grant, HMS Chris Ulrich, U of D

Jerry Cutler, U of D

Cynthia Angermeier, DSEA, R

Jim Testerman DSEA, R Rich Phillips, DSEA, R

Jennifer Brown, Minnesota Life

Brian Anderson, Minnesota Life

Agenda Items Discussed:

## **Introductions/Sign In**

Director Visalli called the meeting to order at 2:00 p.m. Introductions were given around the room. Those who wanted to make public comments were reminded to sign in.

## **Approval of Minutes**

Director Visalli requested a motion to approve the minutes from the April 17, 2012, SEBC meeting. Ms. Christianson made the motion and Mr. Morton seconded the motion. Upon unanimous voice vote the minutes were approved.

## Director's Report – Brenda Lakeman

Ms. Lakeman reported that Open Enrollment began May 7. So far Statewide Benefits Office has received approximately 3000 calls and the Pension Office has received over 5000 calls. Most calls are pertaining to the spousal coordination of benefits form and questions about HB81. Open Enrollment ends next week on May 23.

## **Health Fund Financials – Dawn Guyer (handout)**

It was reported that the fund balance on the Fund and Equity report as of March 31, 2012 was \$52.8 million (M). This is more than \$1.5 M over the ending balance for February. The increase is mostly due to the receipt of a Medicare Part D Subsidy payment. The cash balance in April is \$42.1 M which is \$10 M less than the March cash balance. Three bi-weekly payments were made to Medco for prescription claims, resulting in \$6M of the \$10M reduction in the cash balance. In addition we are experiencing an increase of weekly claims from Blue Cross Blue Shield. There were no comments or questions.

#### Minnesota Life 2012 Renewal and Review – Brenda Lakeman

The Group Universal Life (GUL) slide presentation addressed the following:

- Evaluated options for portability
- Reviewed analysis of other state plans
- Reviewed positive impact of 2009 portability change
- Confirmed premium waiver modifications and finalized renewal

## **Option 1 for Porting Coverage – Current**

- May port 50% of the coverage in effect at retirement or termination at the same group rates provided to active employees
- Remaining 50% may be purchased through Guarantee Issue Conversion Coverage
  - o Age based premiums, no group discount available (answer to question from April 17 meeting)
  - o Example: Per \$1000 annual rates at age 60 \$46.39 (\$3.87 per month)
    - Industry rates range from \$41.50 to \$50.09. Minnesota Life falls in the middle of the range
- Minnesota Life Product Adjustable Life Legend
  - Offers guaranteed coverage up to age 121
  - o Level premium (important to note, rates are locked in place at age of retirement)
  - o Flexibility to change face amount, premium amount and/or plan of insurance (can adjust as you go, switch from whole life to term life)
- Minnesota Life advisors are available to assist the retiree with individual life insurance planning and options with the possibility of more favorable rates.

#### **Option 2 for Porting Coverage**

- Return portability to 100% at State group rate on January 1, 2013 for currently enrolled active members
  - o Modifies original renewal offer of 6.5% reduction to 3.1% increase in rates
  - o Important Note: if portability had remained at 100%, current renewal offer would be an 8.3% increase in rates due to additional claim amounts that we would have been paid
  - Significantly changes the loss ratio projections and increases risk of maintaining rates and healthy ratio of active members
  - o Coverage levels for members previously ported at 50% would remain at 50%
- Implement portability at 100% beginning January 1, 2013 for those members enrolled prior to July 1, 2009
  - o Presents same renewal increase and challenges as above
  - o Enrollment Before July 1, 2009: 15,239/After July 1, 2009: 1,104

## **Option 3 for Porting Coverage**

- Separate rates for active and ported populations to return portability to group rate at 100%
  - o Each group's rates supports group's experience
  - o Apply decrease in active rates/increase to ported rates
    - Active rates decrease by 39%
    - Ported rates increase by 65.6%
  - o Under this option, dependent rates increase by 14%
  - o Rate changes impact all members regardless of enrollment date, port date or coverage level

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- o Coverage levels for members previously ported at 50% and those who port through 2012 remain at 50%
- o Coverage levels for members porting on or after January 2013 would be 100% at group rates

## **State of Delaware GUL Compared to Other State Plans**

Minnesota Life underwrites 16 states including Delaware. Our portability provision is generous when benchmarked against similar plans. Coverage reductions and/or limitations are in line with industry practice. Eighty-eight percent limit the amount of retiree coverage to be continued. Below are some of the ways the coverage may be affected:

- Amount of coverage
- Additional age reductions
- Maximum age to continue coverage
- Termination age
- Disabled unable to port

Offering retiree coverage at active rates is very generous. Seventy-five percent have retirees in separate risk pools that do not affect active rates. Retiree rates for most states are higher than the active rates. (3% - 175% higher than the active rates) Only one state allows retirees to continue the full amount of coverage in effect on the last day of employment. Rates are 40% higher than the SOD rates. Four states allow retirees to continue coverage on a limited basis at the active rates. The limitations are as follows:

- Plan maximum is limited to \$25,000
- Limits coverage to two times salary with termination at age 80
- Allows same level of coverage as carried during active employment with termination at age 65
- May port 50% of the coverage in effect on the last day of employment (Delaware)

## **Review Positive Impact of 2009 Portability Change**

A graph was shown addressing concern of enrollment shifts. Port plan growth is outpacing active population. It was reported that 53% of eligible employees participate and 65% of participants port upon retirement or termination.

Since 2003, there have been a total of 3,832 participants who have ported their life insurance. Of those, 2,597 ported at 100% and 1,235 ported at 50%, following the reduction to 50% at group rates on July 1, 2009. Various charts and graphs were presented showing ported premium and claims versus the active premium and claims as well as the port at 50% versus 100% and impact on claims at 100% porting.

One chart specifically showed the positive impact of 2009 portability changes on ported claims experience through 2015. It is projected that in 2015, premiums will be just over \$3.0 M with ported claims at \$4.8 M. Claims at 100% would be \$7.8 M. Additional chart was presented showing the positive impact due to the 2009 portability change on loss ratios.

## **Premium Waiver Coverage for Disabled Members**

The Option that was agreed upon at the April 17<sup>th</sup> meeting includes reducing the waiting period to six months to align with Delaware Code, to close currently covered population effective December 31, 2012 and continue to have premiums paid through depletion of PDA and then coverage with no premium payment. Beginning January 1, 2013, continue 100% coverage for those meeting definition of disability with no premium payment by disabled participant. Claims for members disabled on or after January 1, 2013 will be absorbed through active and ported premiums.

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### Renewal Options – Effective January 1, 2013

There are three rate options available:

- Reduction of 6.5% for three year period through 2015 with no change in portability coverage
- Increase of 3.1% for three year period through 2015 with return of 100% portability coverage for those enrolled prior to July 1, 2009 or all enrolled members
- Reduction of 39% for three year period through 2015 for active population and increase of 65.6% for ported population for three year period through 2015 with return of 100% portability coverage for those enrolled prior to July 1, 2009 or all enrolled members

Plan Enhancements include the following:

- Extension of dependent children coverage to age 26, to match the health plan
- Open enrollment period in late 2012 for coverage effective January 1, 2013 (available for two or three year renewal only)
- Legacy planning services

Charts were presented to show the differences in rates for each of the three options as well as rates for dependents under each option.

## Recommendation for Renewal – Effective January 1, 2013

- Maintain combined active and ported group and portability at 50% with rate reduction of 6.5% for three year period through 2015
- Plan enhancements to include:
  - o Extension of dependent children coverage to age 26
  - Open Enrollment for all active employees (except for those previously denied coverage) in fall of 2012 for coverage effective January 1, 2013
  - o Legacy planning services
- Changes to Premium Waiver Coverage for Disability agreed upon at the April 17, 2012 meeting
- Request for proposal in two years (2014 for January 1, 2015 effective date) to be considered upon review of results of open enrollment, 2012 and 2013 experience.

## **SEBAC Comment**

Ms. Cooke said that SEBAC reconfirms its support of the Minnesota Life renewal recommendations as presented by the Statewide Benefits Office.

### **Public Comment**

There were no attendees signed up for public comment.

Justice Berger believes that Option 2 would be the best benefit for those that are about to retire. She stated that Ms. Visalli would remind everyone that the Committee went through this process four years ago and the decision was made to reduce the portability to 50%. Justice Berger stated that both active employees and retirees would be interested in raising the portability to 100%.

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Ms. Visalli pointed out that we did not have the life insurance benefit at one time. The plan is an employee pay all plan, the state is not contributing. The concept over the years was to provide income replacement if someone was to pass away while still actively employed. The plan is really targeted towards those working versus using the benefit as a savings vehicle to pass onto the next generation. The object is to keep costs low for the employee in their prime working years.

Ms. Lakeman stated that in order to keep the rates locked in for three years; we have to keep the portability option at 50%. Additionally, when the RFP is done a 100% portability option would be seen as a risk. She reminded everyone that if we had stayed at 100% portability in 2009, the premiums would be higher now. We will also lose active participation if the rates increase because employees can purchase life insurance outside of the State's plan.

Director Visalli asked for a motion to approve the changes to Premium Waiver Coverage for Disability from the April 17 meeting and to approve Option 1 as recommended. Mr. Gregor made the motion and Mr. Smith seconded the motion. Justice Berger opposed with all others voting in favor. The motion passed.

#### **Other Business**

None.

Director Visalli reminded all that the next SEBC meeting date is scheduled for Monday, June 25. Watch for an email whether the meeting will be needed.

Director Visalli requested a motion to adjourn. Treasurer Flowers made the motion. The meeting was adjourned at 2:35 p.m.

Respectfully submitted,

Dawn M. Davis Secretary, Statewide Benefits Office, OMB